

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6431

BILL NUMBER: SB 506

NOTE PREPARED: Mar 19, 2013

BILL AMENDED: Feb11, 2013

SUBJECT: Unemployment Insurance.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR: Rep. Torr

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires a professional employer organization (PEO) to use the client-level reporting method for purposes of reporting and paying all required contributions to the Unemployment Compensation Fund (UI Trust Fund) unless the PEO elects the PEO-level reporting method.

The bill provides that a PEO that initially elects the PEO-level reporting method may subsequently elect the client-level reporting method by notifying the Department of Workforce Development (DWD) not later than December 1 of the calendar year before the calendar year in which the election is effective. The bill provides that a PEO using the client-level reporting method may not change its reporting method. It requires a PEO and its related entities to use the same reporting method for all clients.

The bill establishes a procedure for an acquirer or a PEO to request and receive a statement from DWD indicating whether an account being acquired or transferred is in good standing, and provides that, if the statement shows that the account is in good standing and DWD later discovers an outstanding liability associated with the acquired or transferred account, DWD: (1) may not assess a delinquent employer rate modification based on the account for which a statement was received; and (2) in the case of a PEO, shall administratively separate the acquired or transferred client account from the PEO until the liability is recovered.

The bill makes a technical correction concerning successor employer contribution rates. It also repeals in Title 27 and establishes in Title 22 language concerning the determination and payment of employer contribution rates by a PEO. It voids obsolete DWD rules concerning PEOs.

Effective Date: July 1, 2013; January 1, 2014.

Explanation of State Expenditures: *Summary:* The bill would impact DWD, as the administrator of Indiana's unemployment insurance program. Depending upon the number of clients represented by PEOs in Indiana, as well as decisions made by individual PEOs, the bill may increase the number of employer accounts DWD must track and collect experience accounts on. In addition, it may change the distribution of employer premium rates paid into the Unemployment Insurance (UI) system.

Background: Professional Employer Organizations - PEOs provide various services related to human resources management, such as payroll processing, benefit management, and regulation compliance. PEOs often operate in a co-employment relationship with their clients, by including the clients' workers on their own payrolls (Source: Federal Reserve Bank of Chicago, 2008).

UI Employer Accounts, Experience Record, and Premium Rates - Indiana employers pay state unemployment insurance premiums which have rates that are experience-based. An employer's experience account consists of all UI premiums, voluntary payments, reimbursements, and mutualized benefit charges, as well as money drawn from the employer's account for UI benefits paid to former employees, employees working reduced hours, and laid-off employees. The experience account and whether or not it has a credit reserve (premiums paid exceed benefits paid) or debit reserve balance (benefits paid exceed premiums paid) has a direct impact on the amount of UI premiums paid by employers. Employers who have an experience account with a credit reserve balance will pay lower UI premiums than those with a debit reserve balance. Employers who are late in reporting or paying premiums will also pay a higher premium rate. New employers in 2012 paid a standard rate of 2.5% until such time as they are deemed eligible for the experience-based rate system.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development.

Local Agencies Affected:

Information Sources: Department of Workforce Development (www.in.gov/dwd/2558.htm).

Fiscal Analyst: Stephanie Wells, 232-9866.